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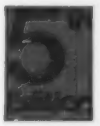
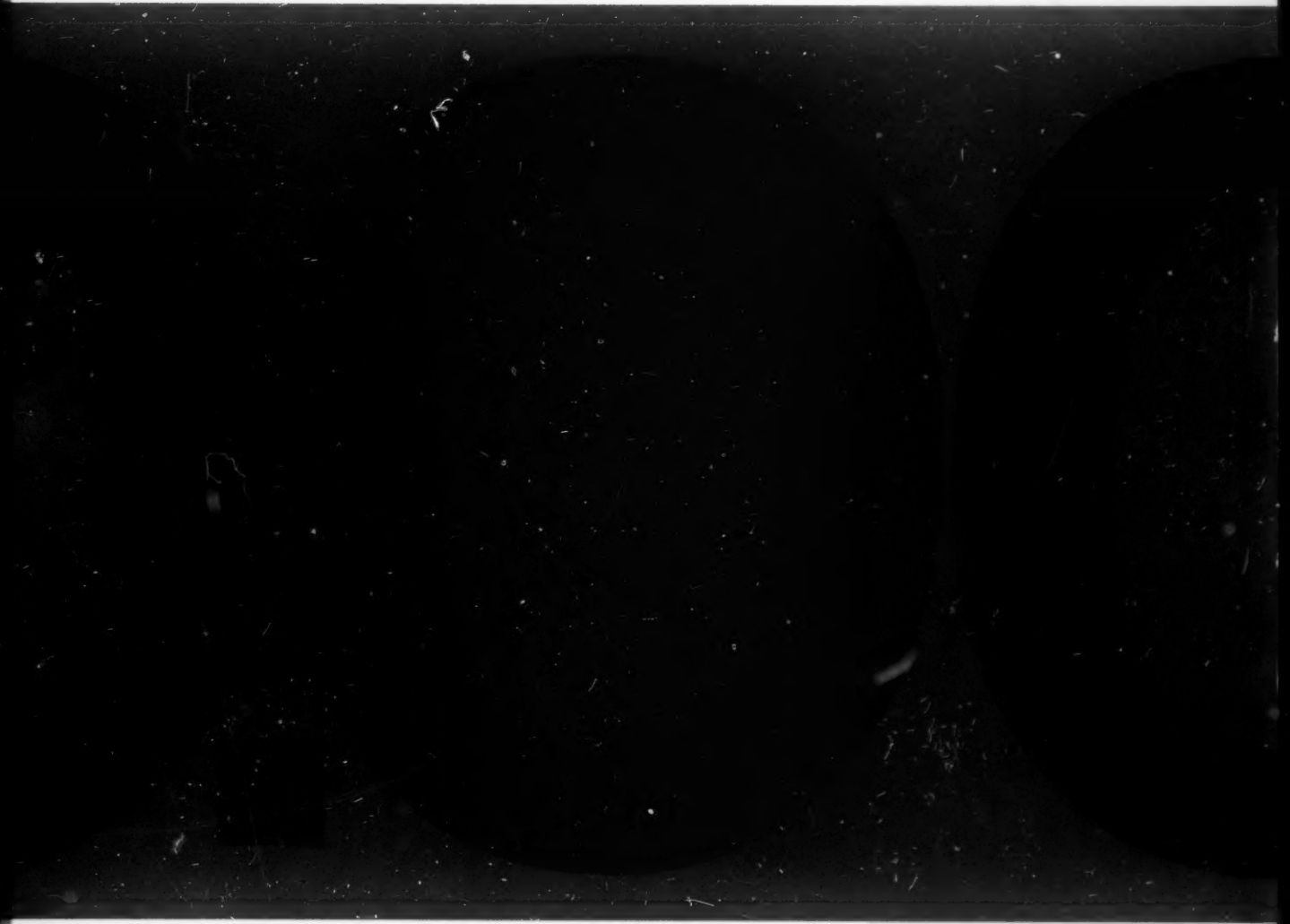
Analysis of 1986 Bank Marketing Expenditures

1987 Research Report
Advertising Department





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The purpose of the "Expenditures Analysis" is to provide an understanding of how financial institutions of all sizes and in all types of markets are spending their marketing budget. It contains more than 2,200 statistics from more than 900 banks across the nation.

Applications in Your Bank

It is not intended that this publication show specifically how much your bank should spend on marketing, or where you should spend it. In fact, as you read the following pages and become acquainted with the information, you will see that there is quite a diversity in banks' budgets based on the various factors considered in the survey such as asset size, type of market and population size.

The report will, however, allow you to identify certain overall trends which can help you develop or refine the budgeting process in your own bank.

Comparison between Years

The format for this 5th Edition of the "Analysis" correlates to the four prior editions (1982 through 1985) to allow for direct comparison of changes. If you would like to examine results of prior years' "Analyses", you may obtain a copy for 1982, 1983, 1984 or 1985 from BMA.

Methodology

To gather the information for this year's study, a two-page questionnaire and explanatory cover letter were mailed to a random sampling of banks nationwide. Recipients were chosen by "nth" name selection from among two asset groups: Those under $100 million in assets (6,303) and those over $100 million in assets (2,549). The distinction in samples based on asset size was to compensate for a lower response rate among community banks as experienced in previous surveys.

A follow-up mailing was sent to the same list of banks four weeks later and responses were cut off April 27, 1987.

A total of 1,018 questionnaires had been returned at the cutoff date, and, of these, 942 were usable returns. They were distributed as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	43	4%
$10 - $25	122	13
$25 - $50	148	16
$50 - $100	148	16
$100 - $250	258	27
$250 - $500	103	11
$500 - $1 billion	55	6
$1 billion - $5 billion	49	5
Over $5 billion	16	2

The completed questionnaires were edited for accuracy and the data was key punched, tabulated, examined for consistency and verified for accuracy.

Presentation of Statistics

To facilitate understanding of the information, the statistics are presented in several ways:

- percentage terms
- dollar averages
- dollar medians

Percentage computations are based on the number of respondents answering each specific question and are rounded to the nearest whole percentage.

Wherever the word "average" appears, it means the arithmetic mean. Averages for each category are based on the number of banks reporting. Since the number of banks reporting varies from category to category, the sum of the category averages usually will not be the same as the "total" averages.

The median is the middle value from a list of rank ordered values. For example, for the five values 4,000, 4,000, 4,200, 5,000 and 20,000, the median is 4,200 and the average or arithmetic mean is 7,440. There are as many banks above the median as there are below. Because the average is sensitive to extreme values (20,000 in this example) and the median is not, the median often represents a better estimate than the average.

Certain tables also include "minimum and maximum" values. These data illustrate the range of respondent answers for certain questions so that the reader can examine both of these extremes in addition to the average and median.

All dollar figures in the tables are reported in thousands and rounded to the nearest $100.

Traditional Budgeting Techniques

Budgeting is both an art and a science. There is no given rule that states how much an advertiser should spend or how he should spend it. Instead, there are several methods which people often use alone or in combination to determine their budget. The more traditional methods consist of "rules of thumb" which seem relatively quick and easy to use, but have certain shortcomings as described below. Still, they may be helpful to planners as general guidelines or checks on their budgeting decisions.

- ***Percentage of Assets or Deposits Method:*** In this case, a predetermined percentage of the bank's assets or deposits is used as the foundation for the budget, such as 1/10 of one per cent of assets. This is commonly stated as spending "$1,000 per million dollars of assets." While this method accurately reflects that larger banks can probably afford larger budgets, it does not account for other important factors which influence marketing expenditures. These might include the size of the market, market share, opportunities for market development and the level of competitors' spending. Moreover, using current or forecasted assets as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of assets, not the other way around.
- ***Incremental Method:*** This method, also commonly used, simply tacks on a set increase over previous spending. For example, a banker may simply say that the institution will spend 5% over last year's marketing budget in all categories. This method is easy to implement, often pegging the increase to the rate of inflation. And, it frequently is easy to persuade those who must approve the budget that it is sound practice. The assumption, however, is made that goals and strategies this year should imitate last year's. If you are completely satisfied that past performance was so good that you only need to repeat the same, or more of the same strategies and tactics, this method may work. But simply doing 'more of the same' may mean that programs which are no longer effective will be continued since no evaluation or justification of programs takes place. In addition, most institutions will want to adjust their programs in the face of external changes such as legislative developments, changing consumer markets, competitors' moves, etc.
- ***Competitive Parity Method:*** This technique relies on matching your competitors' expenditures. While it may guide you to 'keeping up with the competition', it allows your competitors with different resources and objectives to dictate your budget. Thus, it can fail unless you are the same size and have the same goals as the competition. The assumption underlying this approach is that all firms in the marketplace have the same opportunities for profitable marketing. More likely, your opportunities will not be the same as your competitors'.
- ***"All We Can Afford" Method:*** This method gives marketing whatever is left over after other functions have been budgeted and a satisfactory profit planned. The method relegates marketing to secondary status and does not consider the role of the marketing department or the objectives of the bank. It is possible that the resulting allocation will be too small to permit marketing to be effective. Or, at the other extreme, more may be spent than is necessary. For instance, at some point increasing the number of insertions of a newspaper advertisement may not be incrementally profitable. Furthermore, budgets that fluctuate radically from year to year will make long range planning and the attainment of long term objectives very difficult.

All these 'rule of thumb' methods limit the bank's flexibility and do not relate your expenditures to your specific marketing objectives. And, although a budget created by these methods may be easy to secure approval for, little planning or analysis has actually taken place. Still, they can be useful as decision parameters and often are used in conjunction with a more analytical procedure such as the following task/objective method.

Task/Objective Approach

This method, unlike the rules of thumb above, makes the budget an integral part of your total marketing plan based on an analysis of the unique needs of your own bank.

In this approach, you first establish marketing objectives for the bank. Next, set strategies and tactics to meet your objectives, then assign costs to the marketing activities or tasks you will use to achieve your goals. Although advertising is usually the largest portion of the marketing budget, we should be careful not to overlook the other marketing functions: public relations, sales promotion, sales training and *marketing research. Costs are assigned* to these functions based on their contribution toward achieving the objectives. Thus, the budget becomes the marketing plan in dollar terms.

The Marketing Plan

The marketing budget is the fifth of six components of a good marketing plan. There are four other steps which should be taken first. The key steps in formulating a marketing plan are the following:

1. ***Situation Analysis:*** Where are we today? What are our strengths and weaknesses? What opportunities and/or threats are facing us?
2. ***Objectives:*** Where do we want to be tomorrow? What specific goals do we want to achieve?
3. ***Strategy:*** What are the available paths to reach our goals? What will our organizational "game plan" be?
4. ***Tactics:*** What, specifically, will we do to implement the strategy? What action plans, timetables, activities, etc.?
5. ***Budget:*** How much will it cost? How will our resources be allocated?
6. ***Evaluation:*** Is it working? How do the actual results compare to our stated objectives?

There are important advantages to writing a thorough marketing plan. It brings organization and efficiency to both short term and long term activities of the bank. A written plan provides staff and suppliers time to prepare for and implement programs, and reduce the risk of errors or expense that accompany unplanned marketing. The plan assures that marketing activities occur in an orderly sequence, reaching the right prospects, at the right time, at the lowest expense possible.

Your written plan also is helpful from the organizational standpoint. It alerts others in the bank when to prepare for certain customer responses and assures that other key individuals in the organization understand the bank's goals. The plan should be a written document, with input from a wide range of personnel. And, it should be considered an evolutionary document. Each plan your bank prepares is more accurate and thorough than earlier ones. For that reason, consider the plan a flexible document that changes with the marketplace.

Getting Your Budget and Plan Approved

When submitting your marketing plan and budget to management, keep the following points in mind:

- Do your homework. Know the history of the bank's marketing expenditures in prior years, and their marketing successes and failures. Know the marketing problems facing your bank and formulate strategies aimed at solving these problems.
- Anticipate any management objections ... and prepare answers for them.
- Develop arguments to counter proposals to stop or curtail advertising or other marketing activities during temporary adverse conditions.
- Present marketing expenditures not as a cost but as an investment that leads to future profits.
- Submit realistic numbers. Don't "go in high." Stress that your budget has not been padded, that it represents the least expense that can be expected to achieve the desired objectives.

Managing With a Budget

A written plan and budget are blueprints for action. Rather than leaving results to chance and merely reacting to events on a day-to-day basis, use the plan as a **roadmap for actionable tasks,** allocating resources based on your stated objectives.

A marketing plan should not be set in stone, but rather should be adapted to changing economic and competitive conditions. Be prepared to cut or expand your budget to meet changing revenue, profit, cash flow requirements — or to take advantage of newly developed marketing opportunities. Or, you may need to counter unexpected expenditures by a competitor.

Planning is an on-going, dynamic process. A plan should be used daily, reviewed and updated. The greatest possible mistake is to write a marketing plan and put it on the shelf until it's time to write next year's plan. A good marketing plan is threadbare long before the year is over.

The plan and budget are also control mechanisms for evaluating progress toward the achievement of your marketing objectives. For the most effective measurement of promotional results against plan, your stated objectives and performance standards should be quantified whenever possible. Review actual program results periodically — at least on a monthly basis.

Expenditure levels should also be monitored and variances, whether below or above budgeted amounts, should be examined. If expenditures are running ahead of estimates — why? Have the underlying budget assumptions changed — are unforeseen influences causing this variance? If so, perhaps, your objectives and strategies should be modified. If not, budget cuts may be in order. If expenditures are running behind estimates — are your goals being achieved without the planned expenditure and are there alternate, new opportunities to pursue? If goals are not being met, perhaps spending should be increased to the necessary level.

In conclusion, systematic planning can mean improved performance for your bank and more efficient achievement of your marketing objectives.

FACTORS THAT INFLUENCE BUDGET SIZE

Deciding on the proper size of your marketing budget is largely a matter of judgment. Some of the more important variables influencing this decision are:

- **Your Market:** The larger, more diverse your defined market, the larger your budget will tend to be. Reaching one or two well-defined market segments requires fewer resources than reaching a mass, diverse audience. Also, expanding to new markets will require advertising support, and correspondingly higher expenditure levels.
- **Your Services:** Heavier advertising expenditures to build consumer awareness and stimulate new business are generally necessary when introducing new products and services.
- **Your Competitors:** In general, market share correlates with share of voice — the share of total market advertising expenditures. This is not to say that spending in and of itself leads to advertising success. But advertising dollars are — or should be — related to the sales generated.
- **Your Management:** Your bank management's support of the advertising function and the degree of a marketing orientation rather than an operational orientation at your bank, will affect the marketing expenditure level. Particularly during a recession or when a bank's financial performance is below expectations, management's commitment to and understanding of marketing as an investment and not just an expense are crucial to maintaining spending levels.

HOW TO USE THE ANALYSIS

Regardless of which method you use in preparing your own bank's budget, this study should be of value in comparing it to other banks' nationwide.

Be sure to consult all the tables here which delineate the statistics by various characteristics beyond bank asset size. For example, market size and market type, shown in Tables 6 and 7, appear to have a significant impact on the size of the budget.

This study will be of maximum value if your marketing budget is broken down into the same basic categories as those in the survey. The basic categories used here are:

— Advertising
— Public Relations
— Sales Promotion
— Staff Sales/Customer Relations Training
— Marketing Research

Obviously, when making comparisons, it's important to be comparing similar items.

Defining terms

The items used on the "Expenditures" questionnaire were built around generally accepted industry definitions for consistency among responding banks.

Nevertheless, check your bank's classifications of expenditures to determine if there are any major differences with these before proceeding with any specific comparisons.

In fact, you may find it convenient to use the table format and descriptions we have used, such as Table 1, to set up your own 1988 budget to assure that the data will be comparable in the future.

A special word on advertising . . . the largest part of your marketing budget will most likely be advertising. In fact, on the average, 63% of responding banks' marketing budgets go to advertising. And these advertising decisions are becoming more and more complex. Media choices are multiplying. Television is very effective for many services, but it is expensive. Cable television is a growing force in many markets but often reaches narrower segments. New magazines are emerging with more regional, state, and city editions available. Computers are offering limitless combinations of lists for more effective use of direct mail. Radio stations can change formats, and audiences, regularly. The point is that media planning is dynamic because the media themselves are changing and the media mix will differ depending upon the service to be sold. More of your attention will, of necessity, be directed to the planning and budgeting of this area than to any other.

Limitations of the survey

While the survey sampling was taken among both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless, respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms to make comparisons rather than in absolute terms.

Tables 1 and 2 report on the average and median expenditures banks made during 1986. For both tables, the expenditures are shown in five major functional areas of marketing:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales Training
- Marketing Research

Each of these five areas also is divided into additional details. For example, media are shown under Advertising, shareholder relations under Public Relations, newcomer services under Sales Promotion and so on for each functional area.

The bottom line for each of the two tables shows the total marketing expenditures for the year. Because not all respondents included detail for each line item, the averages in each of the line items will not necessarily sum to the bottom 'total' line in those two tables. Nonetheless, the total line and each category total represent the average of all banks which reported an expenditure.

Average Expenditures

The average expenditure by banks in each asset range is shown in Table 1, and graphically in Figure A.

The total marketing budgets range from $8,800 for the banks under $10 million in assets to more than $6,021,000 in the banks with more than $5 billion in assets.

It also is possible to obtain an approximate index to the size of the marketing budget based on the asset size of the bank and to examine how the bank's size influences the amount of the budget.

This can be done by dividing the average marketing expenditure in each asset range, by the midpoint of that range. For example, the average marketing expenditure for banks in the $50 million to $100 million asset range is $56,000. That figure can be divided by the midpoint of that range ($75 million), to equal .075%. That percentage indicates that, on average, banks in that asset range have a marketing budget which approximately equals .075% of their total assets.

The other asset ranges and the index for each are shown here (note that the midpoint for the banks under $10 million is assumed to be $7.5 million and for those over $5 billion it is assumed to be $12.5 billion):

Asset Range in Millions	Marketing Budget as % of Assets
Under $10	.117%
$ 10 — $ 25	.123
$ 25 — $ 50	.094
$ 50 — $100	.075
$100 — $250	.076
$250 — $500	.076
$500 — $1 Bil.	.071
$1 Bil. — $5 Bil.	.050
$5 Bil. or more	.048

Thus, through economies of scale, or other factors, the marketing budget as a percentage of assets, declines as the size of the bank increases.

These percentages should be used only in the very broadest sense for comparison and not as a formula for budgeting. They are derived from wide asset ranges, and there are extreme budget variances within each range. Further, the budgeting process as described earlier involves much more than simply allocating a percentage of assets to marketing. Other tables later in this report will show how the type and size of market also influence the size of the budget within each asset.

As noted earlier, averages can be affected by extreme values. Therefore, you may want to compare the average expenditures in Table 1 against the median expenditures in Table 2.

Median Expenditures

Table 2 and Figure A show the median expenditures which banks allocated for marketing in 1986. The median ranges from a low of $6,500 for the banks under $10 million in assets, to a high of $4,672,000 for banks in the "over $5 billion" asset category.

Median expenditures also are shown in Table 2 for each of the five functional areas of marketing and for the various detailed categories under them.

Percentage Allocations

Table 3 shows the percentage of responding banks' budgets which were allocated to each marketing category. This table is particularly useful to reveal how banks allocate their expenditures, and how the priorities for banks change with their size.

Advertising

For example, in all nine of the asset categories (under

$10 million to over $5 billion), advertising accounts for the largest portion of the budget. It varies from 56% of the total budget at the smallest banks to more than 79% at the largest banks. This reflects allocations as surveyed in earlier years and, in fact, show somewhat larger allocations to advertising in both smaller and larger banks this year:

Year	Advertising As % of Marketing Budget
1982	62.0%
1983	66.0
1984	62.5
1985	61.4
1986	63.0

Within the advertising category, certain media are dominant in smaller banks, but shift in importance among larger banks. For example, television commands only 2% of the smallest banks' budgets (the average is lowered because so few use the medium) but receives 15% of the budgets among the largest banks. Newspapers account for the largest share of the budget overall, varying from 14% among medium size banks to more than 25% among the largest institutions. Radio also accounts for a significant portion of the budget — 8% to 11% among small to medium size banks, and 7% to 8% among the largest banks.

Direct response accounts for less than 5% of the budget of smaller banks, but increases to 6% to 9% among the larger banks. Production expenses for typesetting, artwork, talent, etc. also increase as the size of the bank grows, from as little as 2% in the smaller banks to 10% of the total marketing budget in the largest banks.

Public Relations — The percentage of the budget allocated to this category, unlike advertising, decreases as the size of the bank increases. For example, in the smallest banks, 21% to 28% of the total marketing budget is allocated to public relations. But among the largest banks, the figure declines to only 11%. Within this category, donations account for the largest portion, and range from 5% at the larger banks to 11% at the smaller banks. The second largest expenditure within public relations is for special events (such as seminars, anniversaries, open houses, etc.) which range from 10% at the smallest banks down to only 1% at the largest. Stockholder relations, such as the annual report, account for a slightly larger portion of the small banks' budgets (4% to 5%) than at the larger banks (3% for all banks over $500 million). Publications such as newsletters account for 1% to 2% at all banks.

Sales Promotion — This function accounts for a decreasing proportion of the budget as the bank size increases, from 12% for banks under $10 million in assets to only 5% for banks over $5 billion. Within the category, the largest expenditures among the community banks are for specialties (such as calendars, pens and other giveaways). Specialties however, account for only 1% to 3% of the budgets at the larger banks. Among the larger banks, the largest sales promotion expenditures are for point-of-sale materials (such as displays, banners and brochures) ranging from 3% to 4% of their budgets, but declining to only 1% of the community banks' budgets.

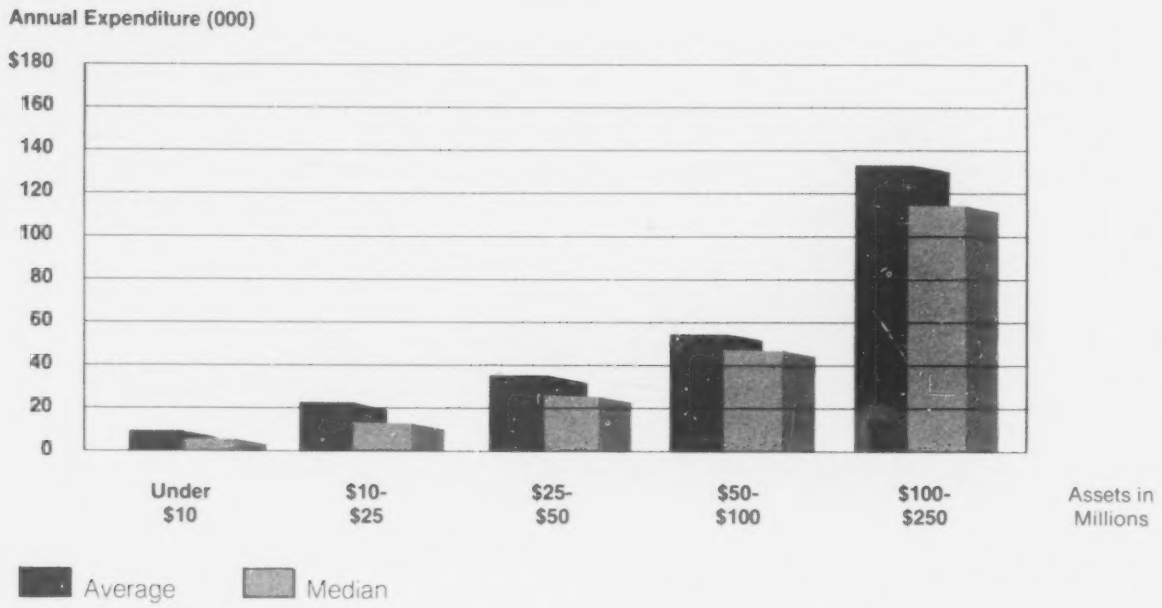
Staff Sales/Customer Relations Training — This marketing function accounts for only 1% of the larger banks' budgets, but as much as 3% to 4% of the community banks' budgets. Expenditures for training materials and consultants averages 1% in all banks.

Marketing Research — This function, which accounted for 1% to 4% in 1985, accounted for 1% to 6% of the total budgets in 1986. In general, research budgets tend to increase in proportion to the total budget as the size of the bank increases. The largest portion of these expenditures occurs for external expenses such as for consultants and supplies for field work and tabulation.

AVERAGE AND MEDIAN MARKETING EXPENDITURES

The two graphs below show the total average and the median expenditures by asset size as taken from Tables One and Two.

Figure A



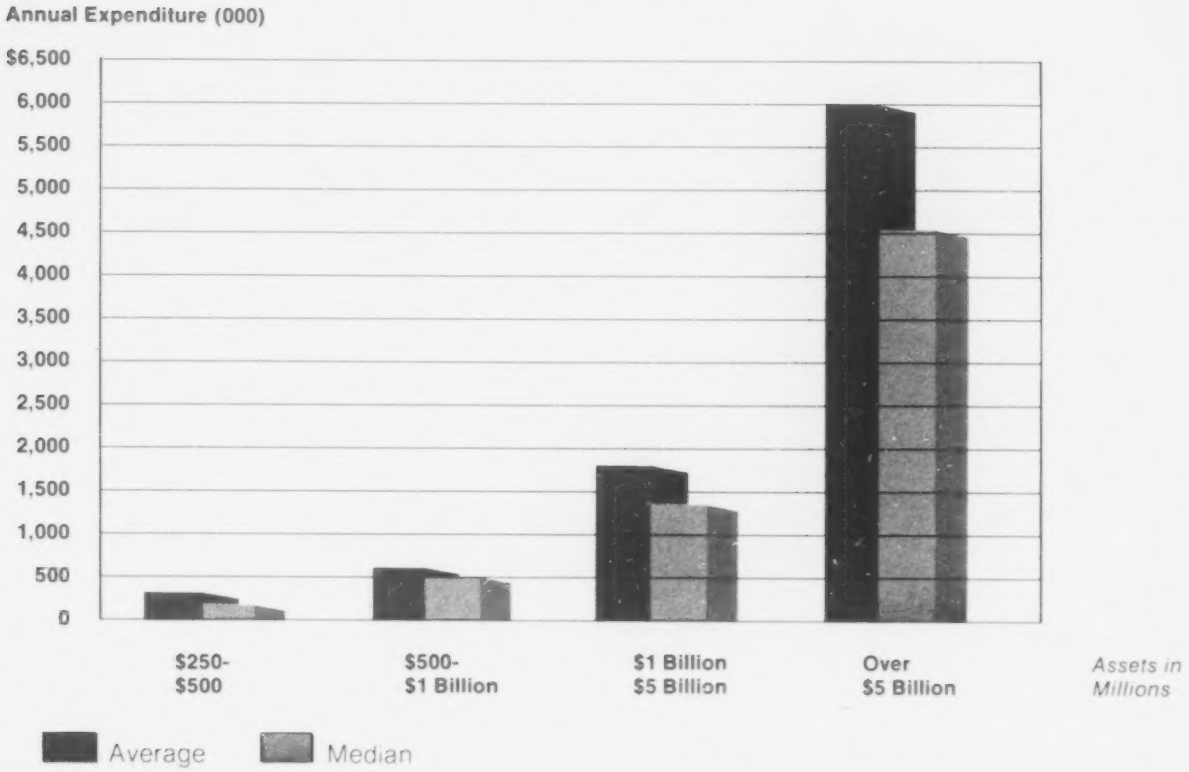


TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1986, $000)

Expenditure Type	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ 4	$ 18	$ 17	$ 15	$ 94	$ 93	$ 183	$ 651	$ 3222
Directories (telephone, bank, city, etc.)	9	45	14	17	40	70	122	240	388
Newspapers	30	40	71	94	202	521	936	3173	15101
Television	12	39	59	56	175	419	684	2981	10641
Radio	16	31	57	89	174	280	475	1307	4214
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	10	17	28	41	126	303	349	1673	4022
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	34	33	39	61	97	195	265	552	3013
Production Expenses (artwork, talent, etc.)	1	17	24	46	120	277	572	1656	7206
Fees & Commissions (advertising agency, media representative, consultants, etc.)	7	26	65	71	122	189	423	1297	4367
All Other Advertising	13	29	41	61	100	204	311	954	1620
Sub-Total for Advertising	**5.4**	**13.2**	**19.5**	**31.1**	**83.5**	**193.9**	**357.4**	**1232.9**	**4744.7**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	28	23	30	35	74	177	245	838	2789
Media Relations (press releases, press conferences, etc.)	5	5	34	14	15	19	52	168	184
Publications (community service publications, newsletters, etc.)	8	11	12	26	45	60	103	374	513
Special Events (seminars, anniversaries, open house, etc.)	25	19	34	32	69	129	206	613	839
Public Relations Consultants Fees		63	100	23	102	119	113	288	473
Donations (donation advertising—schools, churches, civic clubs and related publications)	12	19	36	66	132	204	385	1262	4406
All Other Public Relations	3	23	45	55	80	168	210	399	667
Sub-Total for Public Relations	**2.8**	**4.8**	**9.3**	**14.7**	**29.7**	**53.6**	**91.1**	**280.1**	**744.6**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	5	26	22	24	61	80	348	380	35
Newcomer Services (non-salary only)	4	6	8	11	28	27	68	99	239
Specialties (giveaways, such as calendars, pens, etc.)	13	20	34	53	81	111	146	450	603
Point-of-Sale Materials (displays, banners, brochures, etc.)	4	10	16	23	46	102	277	841	2487
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	4	15	27	33	55	133	311	521	681
All Other Sales Promotion Expenses	15	19	39	41	60	70	167	362	206
Sub-Total for Sales Promotion	**1.7**	**2.9**	**5.4**	**8.4**	**16.1**	**28.8**	**71.2**	**161.4**	**327.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	10	13	51	33	44	49	126	321	635
Non-Salary Internal Expenses (development, printing, classroom, etc.)	7	10	21	18	24	37	65	149	411
All Other Sales Staff/Customer Relations Training	17	17	25	34	42	43	57	118	964
Sub-Total for Staff Sales/Customer Relations Training	**1.1**	**1.7**	**4.3**	**3.9**	**5.7**	**7.0**	**14.4**	**36.3**	**107.4**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	7	109	78	43	84	110	149	655	2273
Non-Salary Internal Expenses		65	11	14	15	19	59	132	1397
All Other Marketing Research			6	16	20	25	78	458	
Sub-Total for Marketing Research	**.7**	**11.7**	**8.5**	**4.0**	**7.2**	**10.3**	**18.4**	**76.4**	**287.1**
All Other Non-Salary Marketing Expenses	10	16	49	119	107	359	234	1211	
Total Marketing Expenditures	**8.8**	**21.6**	**35.3**	**56.0**	**133.7**	**286.0**	**535.7**	**1762.9**	**6021.1**

TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1986, $000)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .2	$ .5	$ 1.0	$ 1.0	$ 2.0	$ 5.0	$ 10.0	$ 30.0	$ 243.0
Directories (telephone, bank, city, etc.)	.5	1.0	1.0	1.2	2.9	5.0	8.0	18.0	39.0
Newspapers	1.5	2.5	5.0	7.6	16.0	39.8	85.3	200.0	1461.2
Television	1.0	2.0	2.0	3.0	13.0	29.4	40.4	201.0	720.6
Radio	1.0	2.0	3.7	8.0	14.9	23.5	35.6	100.0	390.0
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	.5	1.0	1.5	2.5	5.0	10.0	25.0	70.0	289.2
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	2.4	1.5	1.9	3.6	8.0	13.7	18.8	36.0	250.0
Production Expenses (artwork, talent, etc.)	.1	1.0	1.0	2.5	7.4	20.3	43.0	106.2	923.5
Fees & Commissions (advertising agency, media representative, consultants, etc.)	.5	1.5	2.7	4.0	9.1	15.0	29.6	95.5	300.0
All Other Advertising	1.0	1.4	3.0	4.0	6.3	10.0	18.0	60.0	50.9
Sub-Total for Advertising	**3.0**	**7.4**	**15.5**	**28.3**	**73.2**	**149.4**	**355.3**	**911.0**	**3731.0**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.6	1.0	1.0	1.5	3.7	13.2	20.0	75.0	245.0
Media Relations (press releases, press conferences, etc.)	.1	.5	.8	1.0	.9	1.0	2.4	5.5	10.2
Publications (community service publications, newsletters, etc.)	.5	.6	1.0	2.0	2.1	3.1	5.1	20.0	25.5
Special Events (seminars, anniversaries, open house, etc.)	1.5	1.5	1.2	2.0	4.0	6.5	14.0	25.0	50.0
Public Relations Consultants Fees		1.3	2.0	1.5	4.2	12.0	10.3	18.0	25.0
Donations (include donation advertising—schools, churches, civic clubs)	.9	1.5	3.0	5.0	8.2	14.2	26.9	69.2	87.0
All Other Public Relations	.4	1.9	2.8	4.1	5.1	9.6	10.0	23.4	50.0
Sub-Total for Public Relations	**1.2**	**3.2**	**6.1**	**10.8**	**22.8**	**46.0**	**90.5**	**178.1**	**487.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	.5	.5	1.2	1.4	4.3	4.9	6.1	19.9	3.5
Newcomer Services (non-salary only)	.2	.6	.8	.7	1.0	1.0	2.1	5.0	8.5
Specialties (giveaways, such as calendars, pens, etc.)	.9	1.5	2.0	4.0	6.0	8.0	10.0	17.2	30.0
Point-of-Sale Materials (displays, banners, brochures, etc.)	.2	.5	1.0	1.0	3.0	5.0	23.3	50.0	100.1
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	.2	1.0	1.0	2.0	3.0	5.0	10.8	16.9	30.0
All Other Sales Promotion Expenses	.2	1.0	2.0	2.4	3.2	4.7	9.2	12.0	8.2
Sub-Total for Sales Promotion	**1.0**	**2.0**	**3.5**	**5.8**	**13.5**	**23.0**	**47.0**	**84.1**	**200.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	.5	1.0	2.0	2.0	2.5	2.1	10.0	15.0	25.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.5	1.0	1.0	1.0	1.5	2.0	3.0	8.0	25.0
All Other Sales Staff/Customer Relations Training	.4	1.5	1.0	2.0	2.0	3.0	2.0	12.0	92.8
Sub-Total for Staff Sales/Customer Relations Training	**.5**	**1.5**	**2.0**	**2.4**	**3.0**	**4.0**	**12.0**	**22.5**	**81.0**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	.2	2.0	3.0	2.0	3.0	8.0	10.0	41.7	140.0
Non-Salary Internal Expenses		1.0	.8	.6	1.2	2.0	2.0	10.0	45.0
All Other Marketing Research			.5	1.0	.6	2.2	3.5	5.5	
Sub-Total for Marketing Research	**.2**	**1.0**	**2.4**	**2.5**	**3.0**	**7.0**	**15.3**	**53.0**	**140.0**
All Other Marketing Expenses	1.0	1.0	3.0	10.6	5.8	23.3	13.8	61.0	
Total Marketing Expenditures	**6.5**	**15.0**	**26.7**	**48.6**	**119.0**	**233.5**	**521.2**	**1420.2**	**4672.8**

TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1986 BY ASSET SIZE

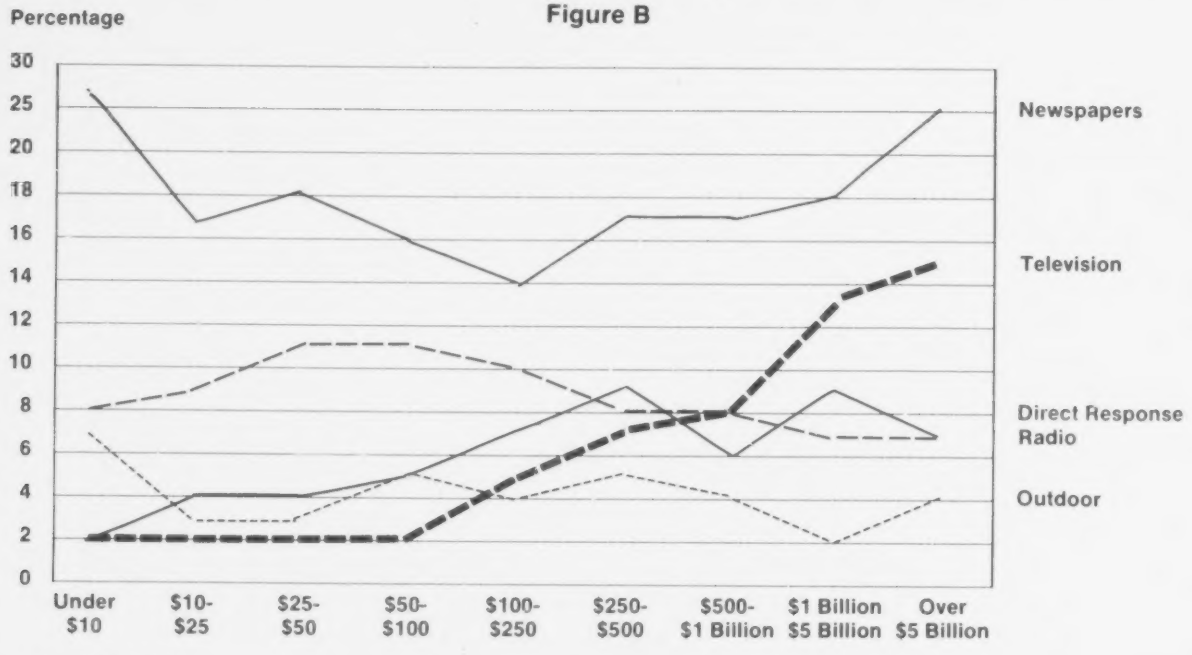
Expenditure Type	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	1%	1%	1%	1%	3%	2%	2%	3%	5%
Directories (telephone, bank, city, etc.)	6	15	3	2	3	2	2	1	1
Newspapers	27	17	18	16	14	17	17	18	25
Television	2	2	2	2	5	7	8	13	15
Radio	8	9	11	11	10	8	8	7	7
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	2	4	4	5	7	9	6	9	7
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	7	3	3	5	4	5	4	2	4
Production Expenses (artwork, talent, etc.)		2	2	4	7	8	10	9	10
Fees & Commissions (advertising agency, media representative, consultants, etc.)	1	2	5	5	5	4	6	6	5
All Other Advertising	2	3	3	3	3	3	2	2	1
Sub-Total for Advertising	**56**	**60**	**54**	**54**	**61**	**66**	**66**	**70**	**79**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	5	4	4	4	3	4	3	3	3
Media Relations (press releases, press conferences, etc.)	*	*	1	*	*	*	*	1	*
Publications (community service publications, newsletters, etc.)	1	1	1	2	2	1	1	1	1
Special Events (seminars, anniversaries, open house, etc.)	10	5	5	3	4	4	3	2	1
Public Relations Consultants Fees		2	2	*	1	*	*	1	*
Donations (include donation advertising—schools, churches, civic clubs)	11	7	9	11	9	6	6	6	5
All Other Public Relations	*	2	3	4	2	2	2	1	1
Sub-Total for Public Relations	**28**	**21**	**26**	**25**	**21**	**18**	**17**	**15**	**11**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	1	1	1	1	1	1	2	1	*
Newcomer Services (non-salary only)	1	*	*	*	1	*	*	*	*
Specialties (giveaways, such as calendars, pens, etc.)	9	6	7	8	5	3	2	2	1
Point-of-Sale Materials (displays, banners, brochures, etc.)	1	1	1	2	2	3	4	4	3
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	1	1	2	2	2	2	3	2	1
All Other Sales Promotion Expenses	1	*	1	1	1	1	*	1	*
Sub-Total for Sales Promotion	**12**	**10**	**12**	**13**	**11**	**10**	**13**	**9**	**5**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1	1	2	2	1	1	1	1	1
Non-Salary Internal Expenses (development, printing, classroom, etc.)	2	1	1	1	*	*	*	*	*
All Other Sales Staff/Customer Relations Training	1	1	1	1	1	*	*	*	*
Sub-Total for Staff Sales/Customer Relations Training	**3**	**3**	**4**	**4**	**2**	**1**	**2**	**1**	**1**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	1	5	2	1	2	2	2	3	3
Non-Salary Internal Expenses		1	*	*	*	*	*	*	1
All Other Marketing Research			*	*	*	*	*	*	
Sub-Total for Marketing Research	**1**	**6**	**3**	**2**	**2**	**2**	**3**	**3**	**4**
All Other Marketing Expenses	*	1	1	3	1	2	1	2	
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than 0.5%

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)

Figure B



WHERE THE BUDGET IS SPENT

Table 4 shows the percentage of all **banks which are spending money** on each marketing function, in contrast to Table 3 which showed the **amount of money** spent on each function.

Under advertising, the medium used most often is newspapers, by 79% to 92% of community banks and by 96% to 100% of the larger banks. Radio also is used by a significant number — 44% of the smallest banks to 96% of the larger banks. As might be expected, directories also enjoy high usage, from 58% to 100% as the size of bank increases. Several media enjoy higher usage among larger banks: magazines, for example, increase from 16% to 74% in the largest; television increases from only 12% among the community banks to 78% to 88% of the largest banks. Direct response advertising is also widely used . . . about one half of the smaller and medium size banks increasing to 100% of the largest banks.

For public relations, 86% of the smallest banks reported expenditures, with the figure increasing to more than 95% of the middle range and larger banks. About three-fourths of all banks reported budgeting for donations, with 77% of smaller banks to 80% of larger banks reporting expenditures. Use of PR publications such as newsletters increases from 14% of smaller banks to about 50% of medium size banks, and increases to 63% among the largest banks.

Sales promotion expenditures were reported by 65% of the smallest banks and by 95% to 98% of the largest banks. The most frequently used category of sales promotion was specialties with 60% of smaller banks and 80% or more of larger banks reporting expenditures. Point-of-sale expenditures were reported by less than one-third of the smallest banks, but increased to more than three-fourths of the largest banks. Expenditures on employee incentives showed an increase over last year's survey. While only 9% to 31% of the smaller banks used them this year, 48% to 63% of the larger banks did. Premium expenditures were reported by less than 10% of the smallest banks, and by about 25% of the middle range banks, with the usage declining to 6% among the largest banks.

The percentage of banks spending money on staff sales/customer relations training remains about the same as in last year's study with about one-third of community banks and about one-half of the middle size to larger banks reporting expenditures. Usage increases to 63% among the largest banks. Budget expenditures for marketing research occurred in less than 10% of the smallest banks, one-half of the middle size banks, and occurred in more than three-fourths of the largest banks.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURES OF EACH TYPE IN 1986 BY ASSET SIZE

Expenditure Type	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	16%	16%	26%	32%	38%	58%	71%	82%	94%
Directories (telephone, bank, city, etc.)	58	72	66	77	86	89	95	92	100
Newspapers	79	92	92	93	94	96	96	98	100
Television	12	12	9	20	37	50	64	78	88
Radio	44	65	69	71	80	86	89	96	94
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	14	56	55	63	79	88	89	92	100
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	19	17	30	47	60	68	78	63	75
Production Expenses (artwork, talent, etc.)	2	27	33	47	74	87	93	98	81
Fees & Commissions (advertising agency, media representative, consultants, etc.)	7	19	30	36	52	60	78	78	63
All Other Advertising	16	19	24	30	34	37	40	41	50
Sub-Total for Advertising	**91**	**98**	**98**	**97**	**98**	**98**	**98**	**100**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	16	33	43	61	61	71	71	67	75
Media Relations (press releases, press conferences, etc.)	5	4	5	15	20	39	49	53	63
Publications (community service publications, newsletters, etc.)	14	29	38	41	54	50	73	59	63
Special Events (seminars, anniversaries, open house, etc.)	35	52	55	57	76	82	76	63	81
Public Relations Consultants Fees		6	7	5	9	8	22	43	38
Donations (include donation advertising—schools, churches, civic clubs)	77	79	87	95	89	90	89	84	63
All Other Public Relations	7	18	26	41	38	35	45	33	56
Sub-Total for Public Relations	**86**	**94**	**97**	**95**	**96**	**97**	**98**	**92**	**88**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	7	8	9	15	22	28	38	33	6
Newcomer Services (non-salary only)	12	9	9	20	29	32	27	22	31
Specialties (giveaways, such as calendars, pens, etc.)	60	70	70	82	84	82	84	82	81
Point-of-Sale Materials (displays, banners, brochures, etc.)	12	29	33	45	58	75	76	76	81
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	9	16	26	31	45	48	53	63	63
All Other Sales Promotion Expenses	7	4	5	11	17	21	15	29	25
Sub-Total for Sales Promotion	**65**	**79**	**76**	**89**	**95**	**96**	**95**	**98**	**94**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	7	13	16	27	34	33	40	43	63
Non-Salary Internal Expenses (development, printing, classroom, etc.)	19	16	14	24	28	37	36	39	38
All Other Sales Staff/Customer Relations Training	5	13	15	20	18	15	16	10	13
Sub-Total for Staff Sales/Customer Relations Training	**26**	**34**	**36**	**51**	**52**	**51**	**58**	**57**	**63**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	9	9	9	19	31	51	73	73	88
Non-Salary Internal Expenses		4	3	10	12	17	20	35	38
All Other Marketing Research			3	6	10	12	22	14	
Sub-Total for Marketing Research	**9**	**11**	**13**	**26**	**43**	**61**	**75**	**78**	**88**
All Other Marketing Expenses	2	8	9	13	16	17	25	29	
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

BUDGET BY MARKET SIZE AND TYPE

The following tables, 5, 6 and 7, show how marketing expenditures are affected by the population size of a market. The average expenditures for the 36 expenditure categories are shown in Table 5. Overall, the total marketing budgets were marginally lower than they were in 1985 in the three smaller markets, but increased somewhat in the category for markets of 1 million or more.

In the smallest markets, advertising expenditures were about the same as in 1985 ($39,000 vs. $40,000 in 1986). Public relations expenditures were the same for both years in the smallest markets, but increased somewhat over 1985 in the larger markets. They ranged from $15,600 in markets under 100,000 to $261,200 in markets of 1 million or more. Sales promotion expenditures were down slightly in most markets with the exception of those of 1 million or more where they decreased significantly — from $201,600 in 1985 to $145,600 in 1986.

The total marketing budgets for respondents based on market size are cross-tabulated by bank asset size in Table 6, and by the six types of markets in Table 7. When using either of these tables, take note of the sample size for each statistic you examine. For smaller samples, care should be taken in projecting the data to other environments.

Among respondents, 62% of the banks were in markets under 100,000; 24% in markets of 100,000 to 500,000, 4% in markets from 500,000 to 1 million, and 10% were in markets of 1 million or more.

Both Tables 6 and 7 can be helpful in identifying how population size and the type of market (rural, urban, statewide, suburban) influence a bank's marketing budgets. Both are useful in allowing the reader to compare their own bank budget and environment with those of responding banks. As an example, you could use Tables 6 and 7 to determine typical overall marketing budgets, then factor the data down for individual categories based on the detail provided in Table 5.

For example, consider banks of $200 million in assets. As shown in Table 6, their average marketing expenditure varies by the size of market: With 100,000 population, the average marketing expenditure is $117,800; in markets of 100,000 to 500,000 it is $142,200; in markets of 500,000 to 1 million it is 166,900, and in markets over 1 million, it is $248,300.

These tables can be useful both in preparing your own budget, and in estimating how much competitors in your market may be spending. But these figures should not be considered hard and fast absolutes. Your marketing plan, as described earlier in the section on "Budgeting for Bank Marketing" should take into consideration the factors of your marketplace such as size, available media and competition.

Even smaller banks (with small budgets) can compete successfully with larger institutions by seeking out opportunities in a special niche . . . such as serving smaller businesses, professionals, or by providing custom banking services to the wealthy, rather than by confronting the market head-on with a smaller budget. For example, the diversity of budgeting can be seen in Table 7, under the heading for urban banks in an SMSA. In markets of 1 million or more with those banks, some spend as little as $30,000 while others spend as much as $9,500,000, and the average is $1,516,000.

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE
(All Reporting Banks - 1986, $000)

Expenditure Type	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 1.8	$ 8.0	$ 20.5	$ 114.2
Directories (telephone, bank, city, etc.)	2.9	6.0	8.9	23.5
Newspapers	11.7	40.9	79.4	464.1
Television	10.7	35.6	82.2	495.8
Radio	10.1	26.4	45.9	176.6
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	5.0	20.6	31.0	177.2
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	8.5	16.6	20.3	103.1
Production Expenses (artwork, talent, etc.)	8.5	28.3	45.8	201.3
Fees & Commissions (advertising agency, media representative, consultants, etc.)	8.9	18.6	34.3	139.3
All Other Advertising	6.3	20.0	34.6	84.7
Sub-Total for Advertising	**40.0**	**156.1**	**254.6**	**1498.6**
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report, meetings, etc.)	4.6	15.0	38.5	87.4
Media Relations (press releases, press conferences, etc.)	1.3	3.4	3.3	12.9
Publications (community service publications, newsletters, etc.)	2.9	7.6	8.8	27.8
Special Events (seminars, anniversaries, open house, etc.)	3.9	10.5	18.4	50.4
Public Relations Consultants Fees	7.3	9.7	14.1	28.8
Donations (include donation advertising—schools, churches, civic clubs)	7.6	18.4	51.6	123.4
All Other Public Relations	5.7	14.1	21.5	40.0
Sub-Total for Public Relations	**15.6**	**45.8**	**107.3**	**261.2**
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	3.7	11.8	5.8	31.4
Newcomer Services (non-salary only)	1.6	4.3	8.8	10.6
Specialties (giveaways, such as calendars, pens, etc.)	5.3	9.2	12.0	35.7
Point-of-Sale Materials (displays, banners, brochures, etc.)	3.1	10.0	20.5	89.2
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	3.5	14.8	24.5	43.5
All Other Sales Promotion Expenses	4.8	10.7	12.5	28.6
Sub-Total for Sales Promotion	**9.2**	**27.7**	**43.0**	**145.6**
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	4.0	6.2	9.2	34.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1.9	4.0	6.7	16.5
All Other Sales Staff/Customer Relations Training	3.0	3.3	3.2	22.6
Sub-Total for Staff Sales/Customer Relations Training	**4.3**	**6.7**	**10.9**	**43.5**
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	8.1	11.5	22.8	84.7
Non-Salary Internal Expenses	1.8	3.6	9.9	37.4
All Other Marketing Research	1.5	5.0	2.4	35.6
Sub-Total for Marketing Research	**7.1**	**11.7**	**24.7**	**103.6**
All Other Marketing Expenses	10.8	17.6	41.9	97.2
Total Marketing Expenditures	**66.5**	**236.3**	**418.8**	**1976.0**

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE
(All Reporting Banks - 1986, $000)

Population Size	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Under 100,000									
Number of Reporting Banks	39	103	130	116	154	28	d		
Average Expenditure	**$ 8.4**	**$ 20.2**	**$ 31.9**	**$ 53.4**	**$117.8**	**$237.8**			
Minimum Expenditure	8	1.0	1.0	6.0	17.9	77.3			
Maximum Expenditure	56.0	122.7	207.0	163.0	332.6	623.9			
Median Expenditure	**6.0**	**13.4**	**26.0**	**46.6**	**107.8**	**204.3**			
100,000 - 500,000									
Number of Reporting Banks	2	11	14	24	78	49	32	9	
Average Expenditure	**11.5**	**29.2**	**61.2**	**69.2**	**142.2**	**307.5**	**468.2**	**859.2**	
Minimum Expenditure	8.0	7.0	8.1	12.8	36.3	90.8	8	390.8	
Maximum Expenditure	15.0	54.7	295.4	186.2	445.5	1364.0	928.6	1412.0	
Median Expenditure	**8.0**	**27.5**	**27.1**	**52.1**	**137.2**	**266.3**	**464.3**	**792.6**	
500,000 - 1 Million									
Number of Reporting Banks		4	2	2	7	11	8	5	
Average Expenditure		**21.5**	**72.6**	**42.0**	**166.9**	**293.8**	**640.8**	**1297.8**	
Minimum Expenditure		4.5	41.0	14.0	29.2	204.6	298.5	562.6	
Maximum Expenditure		48.0	104.3	70.0	295.5	498.5	1012.4	2055.1	
Median Expenditure		**13.3**	**41.0**	**14.0**	**184.5**	**232.8**	**505.9**	**1420.2**	
1 Million or More									
Number of Reporting Banks		d		4	13	9	11	34	15
Average Expenditure				**54.2**	**248.3**	**309.2**	**666.9**	**2073.3**	**5853.5**
Minimum Expenditure				24.5	20.0	75.0	273.3	414.0	1914.8
Maximum Expenditure				87.0	1441.5	661.0	1075.0	7156.1	13483.7
Median Expenditure				**30.0**	**121.3**	**238.0**	**692.4**	**1753.0**	**4672.8**

d — Disclosure. Reporting this data could make it possible to identify an individual responding bank.

TABLE 7
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE
(All Reporting Banks - 1986, $000)

Population Size	Market Type					
	Statewide	Urban SMSA	Suburban SMSA	Urban Not SMSA	Suburban Not SMSA	Rural
Under 100,000						
Number of Reporting Banks	4	43	59	72	49	334
Average Expenditure	$ 54.3	$102.7	$103.2	$ 98.9	$ 72.5	$ 47.4
Minimum Expenditure	9.1	7.5	1.0	9.0	1.8	.8
Maximum Expenditure	154.5	420.5	408.9	623.9	546.7	373.0
Median Expenditure	24.7	78.4	93.9	68.6	41.6	27.5
100,000 - 500,000						
Number of Reporting Banks	4	79	69	25	22	14
Average Expenditure	150.7	252.5	232.2	208.5	226.7	242.2
Minimum Expenditure	.8	13.6	8.0	7.0	15.4	27.1
Maximum Expenditure	401.0	1412.0	1062.0	1364.0	700.3	951.4
Median Expenditure	41.1	169.0	179.6	148.9	126.0	156.1
500,000 - 1 Million						
Number of Reporting Banks	5	12	14	3	4	
Average Expenditure	1123.2	445.1	170.1	429.8	367.5	
Minimum Expenditure	438.4	48.0	4.5	104.3	204.6	
Maximum Expenditure	2055.1	1772.0	562.6	679.3	818.9	
Median Expenditure	950.5	271.3	70.0	505.9	218.4	
1 Million or More						
Number of Reporting Banks	33	31	14	5	d	2
Average Expenditure	3067.4	1516.4	1200.1	142.2		1128.8
Minimum Expenditure	121.3	30.0	20.0	43.5		741.3
Maximum Expenditure	13483.7	9575.0	6206.0	334.3		1516.3
Median Expenditure	2042.2	887.6	477.5	75.2		741.3

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

The respondents also are asked to indicate which types of services in their bank receive marketing support by specifying the percentage of their total budget allocated to each of the following:

A) Retail (to individuals)
B) Commercial/Corporate (to businesses)
C) Trust
D) Institutional

The average percentage of the budget allocated to each is shown in Table 8, by the nine asset categories. The percentage of banks actually spending money on each area is shown in Table 9.

Percentage Allocations

Among community banks, there was a slight shift in expenditures away from retail services, and a larger emphasis on commercial/corporate services during 1986. As shown in Table 8 and in the graph of Figure C, banks under $100 million, on average, spent 61% of their budget on retail services (compared to 65% in 1985), and 23% of their budget on commercial/corporate services (compared to 20% in 1985). While expenditures for retail services in past years tended to decrease somewhat as the size of the bank increased, that wasn't the case this year. For example, among smaller and middle range banks, about 60% of the total budget is allocated to retail, and the percentage increases to 61% to 64% among the largest banks.

Expenditures for commercial/corporate services decreased as the size of the bank increased this year, from a high of 27% for those banks between $25 million and $50 million in assets to a low of about 11.5% for all banks above $1 billion.

Trust marketing received increasingly larger amounts of the budget as the size of the bank increased, from a low of less than 1% for banks between $10 million and $50 million to a high of 7.4% for banks over $5 billion. Overall, banks over $100 million spent twice the proportion of their budget (5.6%) on trust as did banks under $100 million (2.6%).

Advertising for institutional services also increased with the size of the bank this year. Community banks' averaged expenditures of about 10.2% for institutional advertising, compared to 17.3% for the larger banks. Among medium asset size banks ($250 million to $500 million) and among the $1 billion to $5 billion banks, institutional expenditures averaged 20%. It can be assumed that in many cases these expenditures represent advertising and public relations activities related to name changes caused by mergers.

As shown in Table 9, the type of service promoted most often by banks is retail, which increased 67% among the smallest banks to nearly 100% of the banks between $1 billion and $5 billion.

Commercial/corporate services also are more likely to be marketed by larger banks than by smaller banks. The incidence ranges from 44% of the smallest banks to 86% of those banks between $1 billion and $5 billion.

While only 7% of the banks under $50 million reported expenditures for trust this year, from 56% to 73% of the larger banks reported trust marketing expenditures.

Fewer than one-third of the community banks reported expenditures for institutional marketing while up to 86% of the larger banks did. About one-half of the medium size banks reported institutional marketing expenditures this year.

Amount of Expenditures

In measuring the actual amount of money spent on each general type of service, it can be seen that the smallest banks spent $5,400, increasing to $77,000 to $159,400 among medium size banks, and to more than $3,413,000 at the largest banks (see Table 10).

Actual expenditures for commercial/corporate marketing ranged from $2,800 among the smallest banks to $787,000 among the largest banks.

Expenditures for trust marketing ranged from just over $1,000 among the smaller banks to $559,000 among the largest.

Institutional marketing expenditures were as low as $3,000 for banks with under $10 million in assets to more than $1,388,000 among the largest banks.

Table 11 shows the median marketing expenditures for retail, commercial/corporate, trust and institutional services. As would be expected, the median amounts are generally less than the average expenditures as reported in Table 10.

Table 12 shows how the average marketing expenditures for various types of services varies with the population size of responding banks' markets. Banks in the smallest markets (under 100,000) spent an average of $42,500 on retail services. The amount increased with the size of the market, to $132,000 for markets of 100,000 to 500,000 persons, to $276,000 for those of 500,000 to 1 million or more, and to $1,126,000 for those in markets of 1 million or more. As would be expected, larger markets tend to contain larger banks, hence the direct relationship between population and expenditures. Commercial/corporate expenditures increase with market size from $14,300 to $274,900; trust from $10,600 to $197,000, and institutional from $22,600 to more than $554,000.

TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE IN 1986 BY ASSET SIZE

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	59.6%	65.6%	57.2%	59.3%	60.3%	53.3%	56.5%	61.1%	64.4%
Commercial/Corporate (business)	16.0	22.2	27.0	24.2	18.2	17.6	18.1	11.4	11.6
Trust	6.3	.7	.7	2.6	5.2	4.5	6.2	4.5	7.4
Institutional	7.9	9.6	11.5	11.9	14.6	20.1	16.9	20.0	15.1
Other	10.3	1.9	3.6	1.9	1.7	4.5	2.4	3.0	1.5
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

SHARE OF EXPENDITURES BY ASSET GROUP
(data compiled from Table 8)

Figure C

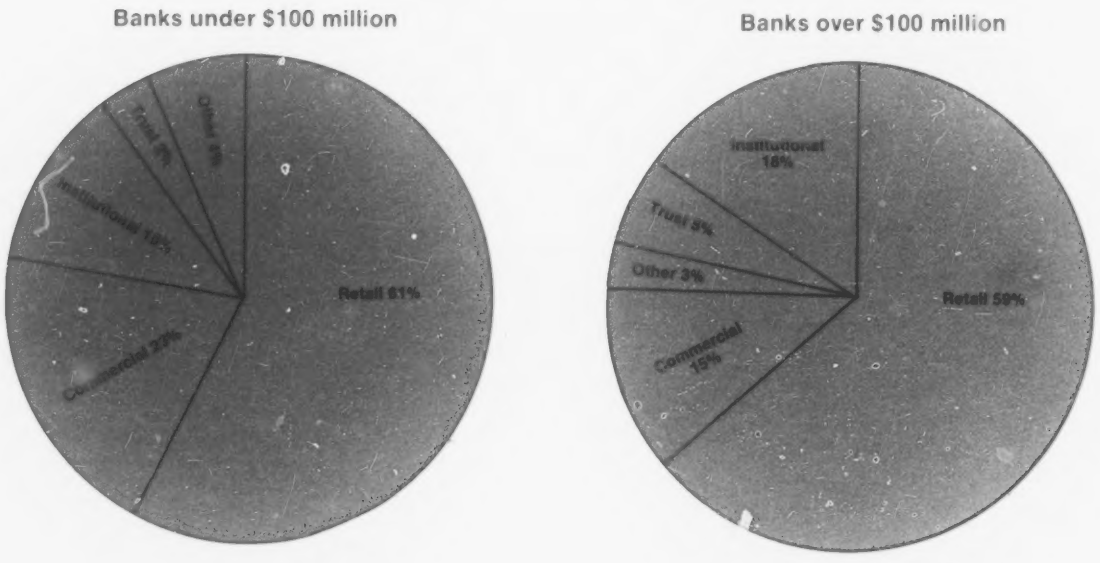


TABLE 9
PERCENTAGE OF REPORTING BANKS MARKETING EACH SERVICE IN 1986 BY ASSET SIZE

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	67%	81%	80%	82%	88%	92%	87%	100%	88%
Commercial/Corporate (business)	44	68	70	72	75	82	67	86	81
Trust	7	7	7	24	48	54	56	73	69
Institutional	21	28	29	49	59	78	71	86	69
Other	12	7	13	11	15	15	16	24	13
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

TABLE 10
AVERAGE MARKETING EXPENDITURES BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1986, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$ 5.4	$14.8	$18.1	$34.7	$77.2	$159.4	$309.1	$1102.1	$3413.4
Commercial/Corporate (business)	2.8	6.7	12.3	15.3	27.7	56.3	112.0	226.6	787.5
Trust	—	1.3	2.2	4.4	12.6	20.5	52.7	98.3	559.0
Institutional	3.0	6.4	9.7	14.1	32.7	66.9	110.6	418.3	1388.4
Other	5.2	5.3	21.0	7.2	12.7	152.8	68.2	145.6	449.6

TABLE 11
MEDIAN MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1986, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$ 4.8	$ 9.2	$14.0	$29.5	$67.2	$127.5	$261.2	$731.6	$2746.5
Commercial/Corporate (business)	1.6	2.9	7.4	10.0	18.2	37.5	96.4	109.7	834.1
Trust	—	.9	1.5	4.0	9.1	11.9	27.3	67.4	546.3
Institutional	1.2	2.9	6.8	6.6	23.7	45.7	74.1	175.3	316.4
Other	6.2	1.0	5.8	7.3	7.8	58.1	40.0	79.3	106.9

TABLE 12
AVERAGE MARKETING EXPENDITURES BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1986, $000)

Service Type	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Retail Services (individuals)	$42.5	$132.0	$276.7	$1126.4
Commercial/Corporate (business)	14.3	38.7	84.5	274.9
Trust	10.6	22.9	53.3	197.9
Institutional	22.6	64.1	85.9	554.8
Other	12.2	95.7	103.8	181.9

For the first time, the "Expenditures Analysis" this year asked respondents to report on how much they spent advertising 14 specific services.

Respondents were asked to indicate the percentage of their advertising budget (not marketing budget) that was spent on each service. The percentages then were used in combination with their total advertising expenditures indicated on the questionnaire to derive the amount spent on each service.

Percentage Allocations

Table 13 shows the percentage of advertising budgets spent on each of the 14 services in 1986. The proportions are quite different for community banks as compared to larger banks. For example, while the smallest banks spent 10% or more of their advertising budgets on checking without interest, the rate of spending declines to less than 5% for the medium size banks, and to less than 3% for the banks over $1 billion.

Community banks also spent relatively more than the largest banks on regular savings accounts — about 5% of the budget was spent in the smallest banks, declining to less than 2% of the budget for the largest.

They also spent relatively more on money market accounts (7.1% for the smallest compared to 2.7% to 5.1% among the largest).

Smaller banks also spent a higher portion of their budget on certificates of deposit (about 10% at the smallest banks, declining to 6.7% at the largest).

The ratios, however, were reversed for certain products, with the larger banks spending proportionately more than the smaller banks. For example, among the community banks, only about 4% or less of their ad budget was spent on automatic teller machines, while the percentage increases to 8.9% among the medium size banks and 7.0% among the very largest banks.

Similarly, spending for individual retirement accounts during 1986 was a significantly higher portion of the larger banks' budgets than the smaller banks'. It varied from 6.5% at the smallest bank, to about 14% at the medium size banks and to slightly more than 14% at the largest banks.

Spending for home equity loans also varied, with spending levels at about 2% of the smallest banks' budgets, but increasing to as high as 14.2% of the ad budgets in banks with $1 billion to $5 billion in assets.

TABLE 13
PERCENTAGE OF REPORTING ADVERTISING BUDGETS SPENT
(On Each Service by Asset Size)

Type of Service	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Checking (with interest)	10.7%	10.0%	7.9%	7.0%	4.2%	3.8%	4.7%	2.8%	1%
Checking (without interest)	9.4	9.4	8.4	5.6	3.6	4.8	3.3	3.8	10.0
Automatic Teller Machines	.7	1.6	4.3	5.4	8.9	8.6	4.8	8.4	7.0
Regular Savings	5.3	6.4	4.9	3.4	2.5	1.5	1.9	.7	1.8
Money Market Accounts	7.1	7.0	6.2	4.6	4.3	2.9	2.7	3.5	5.1
Certificates of Deposit	9.5	10.3	9.3	7.1	6.0	7.7	6.7	5.4	6.7
Individual Retirement Accounts	6.5	10.9	11.1	14.6	13.9	14.3	12.9	12.9	14.1
Installment Loans	9.6	11.2	12.8	13.3	12.7	10.3	11.1	13.4	6.6
Home Equity Loans	2.0	4.3	3.6	6.6	10.8	13.1	12.5	14.2	6.7
Other Credit Lines (overdraft checking)	.3	1.0	1.8	2.2	2.9	2.4	3.0	1.3	1
Home Mortgages	2.3	7.5	7.0	8.4	6.9	3.8	11.3	4.0	.7
Credit Cards	.3	.5	1.1	2.4	3.3	3.6	4.0	7.5	.3
Commercial/Corporate Services	5.9	3.9	5.2	5.7	5.9	6.9	9.0	9.9	4.1
Trust Advertising	0.0	.3	.6	1.7	3.6	3.3	2.9	2.7	5.0
Other	30.3	15.6	15.3	11.8	10.6	13.3	9.7	9.9	30.8
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Trust advertising also increased significantly with size, from less than 1% for banks under $100 million to 5% for banks over $5 billion.

Certain products exhibited fluctuating spending levels with no direct correlation to bank asset size. For example, installment loans varied from 9.6% among the smallest banks, to 13.3% among the $50 million to $100 million banks, then declined again in the largest banks, to 6.6% of their advertising budget. Home mortgages accounted for 2.3% of the smallest banks' budgets, for about 6% of medium size bank budgets, but only .7% of the very largest banks' budgets.

The "other" category (probably institutional) also accounted for a significant portion of expenditures (highest among small banks at 30%, and lowest among larger banks, down to about 10%).

Credit card spending accounts for very small portions of the community banks' budgets (usually 1% or less), but increases to as much as 7.5% of the budgets in banks with $1 billion to $5 billion in assets.

Actual Expenditures

To learn the actual expenditures for each service, refer to Table 14. It shows both the average and the median advertising expenditure as computed for each of the 14 product categories. To use this table, simply locate the product you are studying, then read across to the proper asset size you are interested in. For each product, you will find two figures:

— Average advertising expenditure
— Median advertising expenditure

For example, consider automatic teller machines. In banks with $250 million to $500 million in assets, the average expenditure was $24,600, while the median expenditure was $16,800. As before, the median typically is lower than the average. Also note that because of the wide range of products listed, some banks reported no expenditures for certain categories, leaving the sample size relatively small in some cases.

TABLE 14
AVERAGE AND MEDIAN ADVERTISING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1986, $000)

Type of Service	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Checking (with interest)	$.8	$1.9	$2.6	$3.4	$7.5	$23.8	$32.6	$112.9	$ 32.1
	.6	1.0	1.5	2.2	4.8	8.4	18.5	69.1	—
Checking (without interest)	.8	1.8	2.4	2.9	6.6	19.9	28.7	169.4	634.4
	.6	.9	1.7	2.2	5.1	9.9	8.9	76.3	447.7
Automatic Teller Machines	.9	1.5	2.5	3.9	9.8	24.6	24.2	133.8	531.0
	.5	1.1	1.9	2.9	6.6	16.8	13.3	67.4	329.0
Regular Savings	.6	1.2	1.7	2.2	7.5	11.6	22.8	113.3	169.9
	.3	.7	1.3	1.7	3.9	7.3	7.9	95.8	134.1
Money Market Accounts	.9	2.7	1.9	2.8	6.7	15.1	29.3	103.5	463.6
	.7	.7	1.3	1.8	4.7	8.4	17.2	76.3	438.7
Certificates of Deposit	.8	4.5	2.5	3.7	9.4	27.3	40.4	142.9	631.6
	.8	1.0	1.8	2.2	5.8	13.9	34.3	69.8	538.7
Individual Retirement Accounts	.7	2.3	2.4	4.8	11.4	25.9	53.9	141.6	627.0
	.5	.9	1.8	3.2	8.2	22.6	39.7	118.0	597.0
Installment Loans	.9	1.5	3.5	5.7	13.1	33.2	50.9	207.9	456.8
	.9	1.0	2.5	3.7	9.1	23.6	29.0	85.9	379.2
Home Equity Loans	.3	1.9	2.2	7.1	14.8	34.8	78.9	154.2	407.3
	.2	1.0	1.9	3.8	8.8	28.7	53.3	125.1	325.0
Other Credit Lines (overdraft checking)	.2	1.5	2.2	4.0	7.7	11.9	37.5	59.7	54.2
	.2	.6	1.6	1.8	3.9	7.3	24.6	42.9	—
Home Mortgages	.9	1.6	2.6	4.8	9.7	15.5	57.1	92.5	120.4
	.6	1.1	1.7	3.2	7.3	11.5	34.6	59.0	54.2
Credit Cards	.6	1.0	2.0	3.6	9.5	55.6	42.6	169.7	162.5
	.6	.9	1.3	1.6	5.6	11.5	31.6	83.9	—
Commercial/Corporate Services	.9	2.4	3.4	4.6	12.2	23.5	69.3	160.6	383.1
	.6	.9	2.0	3.1	6.2	12.8	36.6	69.8	219.4
Trust Advertising		1.5	1.7	2.3	5.9	20.2	22.7	56.9	283.8
		.4	1.2	1.7	4.0	8.2	15.3	33.0	218.6
Other	2.1	4.8	7.5	8.9	17.7	50.6	88.1	509.8	2213.6
	1.4	3.1	3.6	5.1	13.2	34.6	81.9	202.3	1448.6

■ Average ■ Median

TABLE 15
AVERAGE ADVERTISING EXPENDITURES BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1986, $000)

Type of Service	Population Size: Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Checking (with interest)	$ 3.5	$13.5	$12.4	$ 93.5
Checking (without interest)	3.7	10.2	12.7	222.2
Automatic Teller Machines	7.5	19.9	29.1	176.8
Regular Savings	2.9	9.2	8.4	79.4
Money Market Accounts	4.1	9.5	24.6	111.6
Certificate of Deposit	5.2	18.0	27.0	174.7
Individual Retirement Accounts	6.7	25.0	52.9	171.7
Installment Loans	6.7	28.1	65.5	197.4
Home Equity Loans	9.8	34.6	51.0	173.5
Other Credit Lines (overdraft checking)	5.1	13.3	22.3	50.8
Home Mortgages	5.3	20.3	37.2	84.4
Credit Cards	6.6	36.1	46.8	157.7
Commercial/Corporate Services	5.7	18.6	52.5	141.2
Trust Advertising	4.8	17.2	30.2	100.3
Other	11.6	54.9	77.2	711.2

Tables 15 and 16 provide further information on expenditures for various services. In Table 15, the amount spent on each service is shown for markets with four different population ranges. For example, the average annual bank advertising expenditure for home equity loans in markets of 100,000 to 500,000 is $34,600.

Table 16 shows the percentage of banks which advertised each type of service last year. For example, among banks with $350 million in assets, 60% advertised home equity loans. The data from these four tables, in combination with information from other tables, can help illustrate the amount of money which banks are spending and the relative emphasis they are placing on various products.

TABLE 16
PERCENTAGE OF REPORTING BANKS ADVERTISING
(Each Service in 1986 by Asset Size)

Type of Service	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Checking (with interest)	44%	52%	54%	47%	36%	29%	36%	41%	6%
Checking (without interest)	35	46	55	45	30	39	35	31	38
Automatic Teller Machines	5	10	27	36	53	59	56	67	44
Regular Savings	30	42	43	33	25	22	27	10	19
Money Market Accounts	33	45	49	41	38	33	31	33	19
Certificates of Deposit	37	51	56	45	40	42	47	51	25
Individual Retirement Accounts	37	57	69	73	72	80	69	80	50
Installment Loans	40	56	58	64	60	54	67	69	38
Home Equity Loans	9	20	27	29	46	60	55	71	38
Other Credit Lines (overdraft checking)	5	9	15	15	21	28	31	24	6
Home Mortgages	9	34	41	45	43	40	53	45	13
Credit Cards	2	7	11	15	24	29	33	61	6
Commercial/Corporate Services	14	22	30	32	37	49	40	61	31
Trust Advertising		2	7	18	36	37	38	45	44
Other	33	26	34	34	33	39	38	33	38

USE OF ADVERTISING AGENCIES

The "Expenditures Analysis" also tracks responding banks' usage of advertising agencies, and how they compensate their agencies. The two pie charts shown here illustrate the influence that bank size has on the usage of agencies. Among those banks with less than $100 million in assets, about 76% currently rely on bank staff as their primary source of creating advertising, up marginally from 74% last year. Eighteen percent rely on advertising agencies, 4% on their holding company, and about 2% use other methods, such as relying on the media to produce their ads, or freelance services.

Among larger banks, of course, agency usage is quite pronounced with 72% using them, 22% relying on bank staff, 5% on holding companies and 1% relying on other sources. As shown in Table 17, the use of bank staff for advertising declines from a high of 95% among the smallest banks, to only 8% to 13% for those over $1 billion. Use of holding companies does not vary significantly based on bank size — among the smallest banks about 2% use a holding company while about 4% to 7% of the larger banks do.

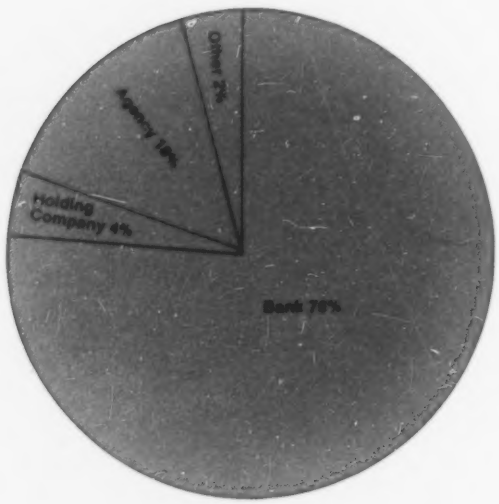
The influence of a bank's market size on agency usage is shown in Table 18. For banks in the smallest markets (under 100,000) 27% use an outside agency. But in markets over 1 million, 80% of banks use an agency. Holding company usage for advertising declines from 5% in the smallest markets to only 3% in the largest markets.

Similarly, Table 19 shows how the type of market influences agency usage. In statewide markets, 79% of the responding banks used an advertising agency. The usage, however, declines in urban markets to 58%, in suburban to 50% and in rural markets to 23%.

SOURCE FOR CREATING ADVERTISING

Figure D

Banks under $100 million



Banks over $100 million

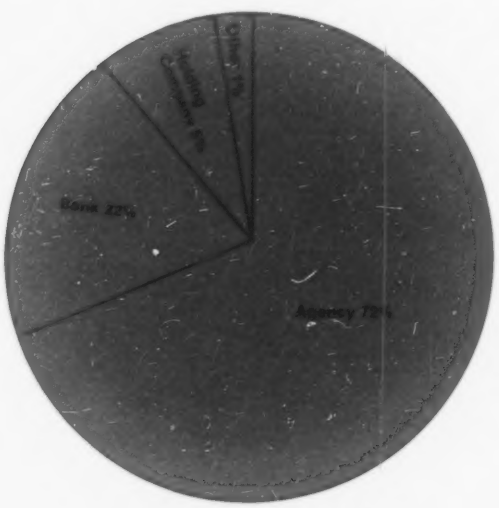


TABLE 17
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING IN 1986

Asset Size in Millions

Primary Source	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank Staff	95%	77%	71%	61%	47%	24%	20%	8%	13%
Used Holding Company Staff	2	5	6	5	6	7	7	4	
Used Outside Agency		17	21	32	43	66	73	88	87
Other	3		2	2	4	3			
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

TABLE 18
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION

Primary Source	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Used Bank Staff	66%	34%	38%	14%
Used Holding Company Staff	5	8	3	3
Used Outside Agency	27	55	59	81
Other	2	3		2
Total	100%	100%	100%	100%

TABLE 19
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE

Primary Source	State-wide	Urban SMSA	Suburban SMSA	Urban Not SMSA	Suburban Not SMSA	Rural
Used Bank Staff	17%	33%	41%	49%	59%	71%
Used Holding Company Staff	4	7	7	8	7	4
Used Outside Agency	79	58	50	41	33	23
Other		2	3	3	1	2
Total	100%	100%	100%	100%	100%	100%

TABLE 20
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1986
(Banks Which Use Agencies)

Asset Size in Millions

Compensation Type	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fees Only	—	80%	73%	57%	59%	38%	36%	34%	23%
Media Commissions Only	—	5	7	2	1	4	5	10	31
Both Fees and Commissions	—	15	20	40	40	57	59	56	46

TABLE 21
AVERAGE EXPENDITURE FOR FEES AND COMMISSIONS AT AN OUTSIDE ADVERTISING AGENCY
(All Reporting Banks - 1986, $000)

Compensation	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Number of Reporting Banks	—	2	6	17	37	37	20	21	3
Average Expenditure	—	$1.8	$20.6	$17.7	$22.2	$50.2	$91.6	$206.1	$1020.0
Median Expenditure	—	1.5	20.0	11.0	20.0	34.7	56.1	120.0	660.0

Compensation Method

This survey also tracks the method which agencies use to compensate their advertising agencies. Several factors influence compensation method including the size of the bank, the size of market and the type of work and bank needs versus what they can produce in-house (Table 20).

Banks which indicated in the survey that they used an advertising agency also were asked to describe which of the following methods they used to compensate their agency:

- Fees only
- Media commissions only
- Both fees and media commissions

Use of the fee system is highest among the smaller banks, ranging from 80% of those under $25 million in assets to 59% among those with $100 million to $250 million in assets. Use of the 'fees only' system, however, declines from 38% of those banks from $250 million to $500 million to only 23% of the very largest banks. The high usage of a fee compensation system among community banks probably exists because of the smaller commissionable media budgets they have. In effect, the small size of their media budget does not usually allow for adequate compensation for the agency based on a standard commission.

Use of media commissions, however, does increase as the asset size of the bank increases. For example, Table 20 shows that commission compensation is used at 5% of the smallest and medium size banks, but increases sharply to more than 30% of the largest banks.

The most popular method overall, however, is a combination of both fees and commissions, especially among the larger banks. In the community banks, 15% to 40% use both fees and commissions, while in the largest banks this combined compensation increases to as high as 59% of the banks with $500 million to $1 billion in assets and to 46% among the banks with more than $5 billion in assets.

Amount of Compensation

Banks which said they use an agency also were asked how much they pay them on an annual basis. They were asked to include fees paid for creative, supervisory and account management time, but to exclude production expenses such as typesetting and artwork, and research or public relations fees.

The results are shown in Table 21, with both the median and average responses. It should be noted that there are differences in the responses to this question and the data presented earlier in this report. For example, Tables 1 and 2 include a line under "Advertising" for "Fees and Commissions" which will differ from the amounts in Table 21. The difference occurs because Tables 1 and 2 include data for all banks, encompassing not only those which used an outside agency as their primary source of advertising, but also those which used an agency on a project or freelance basis and might have produced other materials in-house or through a holding company. Thus, it is logical that the smaller group of agency-only users in Table 21 would report different amounts.

To determine the average expenditure for fees and commissions at an outside agency, simply identify the desired bank asset range and read the data contained in that column. For example, a $200 million bank typically averages $22,200 for fees and commissions. The median expenditure level in this asset range is quite similar at $20,000.

Also, be aware of the influence which the number of banks responding in any category has on the expenditure levels, especially in the smallest asset ranges and note that fees and commissions are combined to report total compensation. Average compensation levels range from only $1,800 in the smallest banks to $1,020,000 in the largest. Median compensation levels range from $1,500 among the smallest to $660,000 among the largest.

TABLE 22
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1985/1986 BY ASSET SIZE
(All Reporting Banks - 1986, $000)

	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
1986 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	43	122	148	148	258	103	55	49	16
Average Expenditure	$ 8.8	$ 21.6	$ 35.3	$ 56.0	$133.7	$286.0	$535.7	$1762.9	$6021.1
Minimum Expenditure	8	1.0	1.0	6.0	17.9	75.0	8	390.8	1914.8
Maximum Expenditure	56.0	122.7	295.4	186.2	1441.5	1364.0	1075.0	7156.1	13483.7
Median Expenditure	6.5	15.0	26.7	48.6	119.0	233.5	521.2	1420.2	4672.8
1985 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	26	85	113	119	210	79	43	38	6
Average Expenditure	$ 7.7	$ 16.1	$ 31.4	$ 53.0	$118.9	$284.5	$635.9	$1534.5	$5380.7
Minimum Expenditure	2	1.0	1.3	5.0	15.0	70.0	37.1	260.0	3500.0
Maximum Expenditure	86.0	80.4	230.0	180.0	350.00	2000.0	5500.0	6517.0	8534.9
Median Expenditure	4.0	15.0	25.0	50.0	106.9	233.8	501.0	1237.8	4000.0

Table 22 provides a comparative look at banks' expenditures for both 1985 and 1986. It should be noted that the expenditure figures reported in this table for 1985 are those indicated by respondents on this year's questionnaire and are not taken from last year's "Expenditures Analysis." Each table shows the number of banks responding, along with the average expenditure, the minimum and maximum expenditure, and the median expenditure to provide a composite picture of two years' expenditures for banks in each of the nine asset ranges.

The statistics show increases in the average expenditure level for banks in all asset ranges, with the minor exception of banks in the $500 million to $1 billion category. Note also that the median expenditure in that category did increase in 1986. The statistics also show increases in the median expenditure level between 1985 and 1986 in all asset categories except in two which stayed about the same (those banks with $10 million to $25 million in assets and those with $250 million to $500 million in assets), and in one ($50 million to $100 million) where the median expenditure declined slightly from $50,000 to $48,600.

Total Industry Expenditures

While it would be possible to make estimates from this data on what the banking industry at large spends on marketing, there are a number of limiting biases. The number of banks in each asset range changes annually. Further, responding banks, as mentioned earlier, may not make expenditures typical of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine ranges.

Confidential Study
Of Bank Marketing Expenditures

BANK MARKETING ASSOCIATION

An affiliate of American Bankers Association

INSTRUCTIONS FOR COMPLETING FORM

- Enter data in thousands (Ex. $7,400 = 7.4) (Ex. $74,000 = 74.0) (Ex. $7,400,000 = 7,400.0).
- Please try to indicate an amount (if any) for each of the A through E bold subtotal lines, even if you don't have data for all the items within that category.
- If no expenditure was made in a category, indicate "0".
- If your bank is part of a holding company, please report only your bank's figures.
- If you have questions, call Linda Coleman at BMA, 312/782-1442.

Part I. U.S. BANK MARKETING EXPENDITURES (excluding salaries)

Please allocate your 1986 non-salary marketing expenditures as best you can among the following:

(Enter in thousands)
(Ex. $7,400 = 7.4)

A. ADVERTISING

1. Magazines (consumer, trade, etc.) ..... $ _____
2. Directories (telephone, bank-city, etc.) .....
3. Newspapers .....
4. Television .....
5. Radio .....
6. Direct Response (direct mail literature, lists, postage, stuffers, telemarketing) .....
7. Outdoor and transit (billboards, taxi-bus, train cards, etc.) .....
8. Production expenses (artwork, talent, printing, filming, etc.) .....
9. Fees and commissions (advertising agency, media representative, advertising/marketing consultants, etc.) .....
10. All other advertising (please describe): _____

A) Sub-Total for Advertising $ _____

B. PUBLIC RELATIONS

1. Stockholder/investment community (annual report, meetings, etc.) ..... $ _____
2. Media relations (press releases, press conferences, etc.) .....
3. Publications (community service publications, newsletters, etc.) .....
4. Special events (seminars, anniversaries, open house, etc.) .....
5. Public relations consultants fees .....
6. Donations include donation advertising — schools, churches, civic clubs & related publications) .....
7. All other public relations (please describe): _____

B) Sub-Total for Public Relations $ _____

C. SALES PROMOTION

1. Net premium expense (cost of premiums less revenues from premium sales) .....
2. Newcomer services (non-salary only) .....
3. Specialties (giveaways, such as calendars, pens, etc.) .....
4. Point-of-sale materials (displays, banners, brochures, etc.) .....
5. Employee incentives (non-salary expenses directly related to employee sales/customer relations efforts) .....
6. All other sales promotion expenses (please describe): _____

C) Sub-Total for Sales Promotion $ _____

D. STAFF SALES/CUSTOMER RELATIONS TRAINING

1. External expenses (consultant fees, materials, facilities, etc.) .....
2. Non-salary internal expenses (development, printing, classroom, etc.) .....
3. All other staff sales/customer relations training (please describe): _____

D) Sub-Total for Staff Sales/Customer Relations Training $ _____

E. MARKETING RESEARCH

1. External expenses (supplier expenses such as consultants, field firms, data processing firms, etc.) .....
2. Non-salary internal expenses .....
3. All other marketing research (please describe): _____

E) Sub-Total for Marketing Research $ _____

F. ALL OTHER NON-SALARY MARKETING EXPENSES NOT ACCOUNTED FOR IN A—E ABOVE (Use a zero if none) $ _____

Total 1986 Non-Salary Marketing Expenditures (Sum of A—F above) $ _____

(Please complete Side Two)

Part II. SERVICE ALLOCATION OF 1986 NON-SALARY MARKETING EXPENDITURES

Please indicate the approximate percentage amount of your total marketing budget allocated to each of these five categories:

_____ % Retail (Individuals)
_____ % Commercial/Corporate (Business)
_____ % Trust
_____ % Institutional
_____ % Other (Specify: _____)
100 % Total

Part III. GENERAL INFORMATION (Place a single check under each question.)

A. What were your bank's total assets as of December 31, 1986?

- ☐ Under $10 million
- ☐ $10 million but less than $25 million
- ☐ $25 million but less than $50 million
- ☐ $50 million but less than $100 million
- ☐ $100 million but less than $250 million
- ☐ $250 million but less than $500 million
- ☐ $500 million but less than $1 billion
- ☐ $1 billion but less than $5 billion
- ☐ $5 billion or more

B. For retail business, what best describes the kind of market in which your bank competes? (Check appropriate response. SMSA = Standard Metropolitan Statistical Area.)

- ☐ Statewide
- ☐ SMSA — Urban
- ☐ SMSA — Suburban
- ☐ Urban but not SMSA
- ☐ Suburban but not SMSA
- ☐ Rural (none of the above)

C. What is the approximate population of your retail trade area checked in B above? (Check appropriate category.)

- ☐ Under 100,000
- ☐ 100,000 but less than 500,000
- ☐ 500,000 but less than one million
- ☐ One million or more

D. Please indicate the approximate Total 1985 Non-Salary Marketing Expenditures for your bank (in $000):

$_____ (in $000) = 1985

Part IV. PRODUCT INFORMATION

Please indicate the approximate percentage of your advertising budget which your bank allocated to each of the following services in 1986. Please enter data in percentages:

(Ex. 30 per cent = 30.)

Checking (with interest)	%	Home Equity Loans	%
Checking (without interest)	%	Other Credit Lines (overdraft checking)	%
Automatic Teller Machines	%	Home Mortgages	%
Regular Savings	%	Credit Cards	%
Money Market Accounts	%	Commercial/Corporate Services	%
Certificates of Deposit	%	Trust Advertising	%
Individual Retirement Accounts	%	Other: _____	%
Installment Loans	%	Total	100 %

Part V. AGENCY COMPENSATION

A. Which one of the following was the bank's primary source for creating advertising during 1986?

- ☐ Used bank staff (End Survey)
- ☐ Used holding company staff (End Survey)
- ☐ Used outside agency (Go to Question B.)
- ☐ Other (specify): _____

B. (Answer only if you indicated use of an outside agency above). Please indicate which one of these methods you used to compensate your agency in 1986:

SELECT ONE

1. ☐ Both Fees & Commissions
   Estimate total paid in 1986:
   _____ = $000
2. ☐ Only Media Commissions
   Estimate total paid in 1986:
   _____ = $000
3. ☐ Only Fees
   Estimate the fees you paid your agency in 1986 for creative, supervisory and account management time. Exclude production expenses, such as typesetting and artwork, and include other services such as research or public relations.
   Estimate fees paid in 1986:
   _____ = $000

BANK MARKETING ASSOCIATION

Thank you for your responses. They are very important to the study. Please return this questionnaire in the enclosed postage-paid envelope. You need not identify yourself or your bank. Your answers will remain completely confidential.

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